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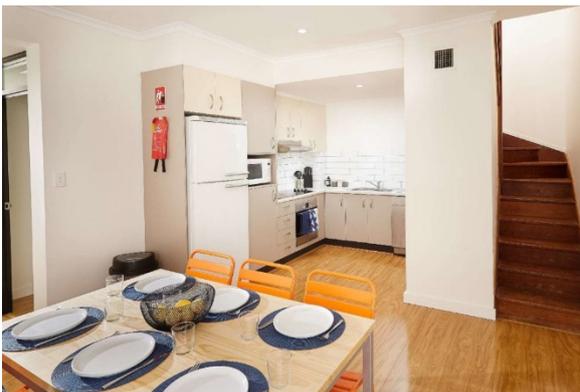
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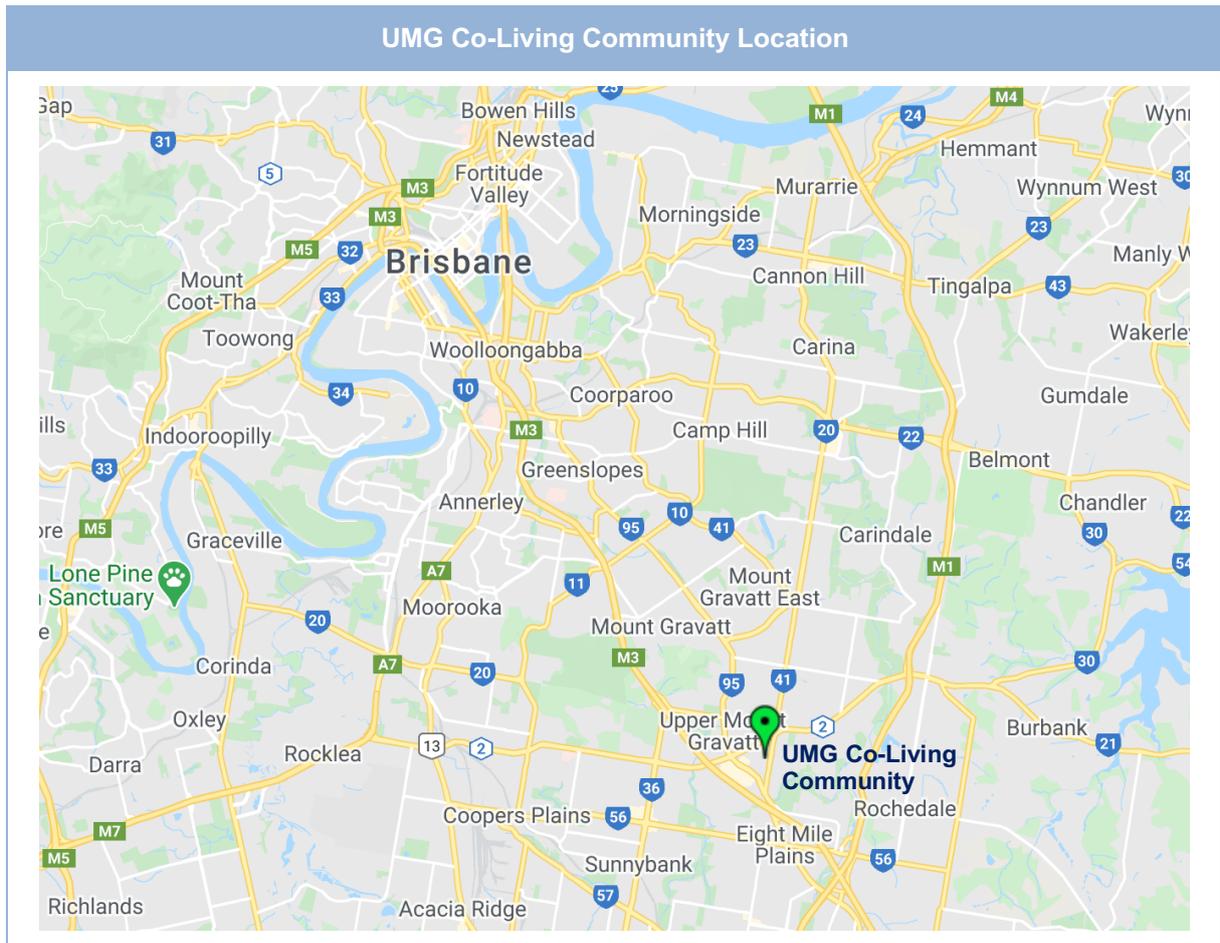
Acquisition – Co-living Community, Upper Mount Gravatt QLD

Aspen Group (ASX: APZ) (“**Aspen**”) is pleased to announce that it has entered into conditional contracts to acquire a co-living community in Upper Mount Gravatt Queensland (“**UMG Co-living Community**”). Settlement is expected to occur in late April 2021. This is Aspen’s fourth acquisition in FY21 and adds to our SE Queensland cluster alongside the Burleigh Heads build to rent project.

UMG Co-living Community



Upper Mount Gravatt is located in the Brisbane metropolitan area, about 13kms south of the Brisbane CBD. Greater Brisbane is Australia's 3rd largest metropolitan area with a population of about 2.3 million people. The property is located less than 400m from Westfield Garden City, other retail facilities and the transport interchange, and about 3kms from Griffith University's Nathan Campus.



Relative to Australia and Brisbane averages Upper Mount Gravatt's population is young and tertiary educated with a foreign ancestry, household incomes are low, and rents are high (2016 census):

2016	Australia	Greater Brisbane	Upper Mount Gravatt
Population	23.4m	2.3m	9,396
Median age – years	38	35	32
Both parents born in Australia	47%	49%	38%
% Population 20-29 years	14%	15%	24%
Population growth 2011-2016	8.8%	9.9%	6.2%
Average number of people per household	2.6	2.7	2.5
Degree/diploma educated	31%	32%	38%
Median household income – weekly	\$1,438	\$1,562	\$1,352
Rent - weekly	\$335	\$355	\$400
Rent / household income	23%	23%	30%
Unemployed	6.9%	7.4%	9.8%

UMG Co-living Community

UMG Co-living Community is a gated complex comprising 64 apartments across 6 separate 3-storey buildings, over 130 undercroft car parking spaces (2 per apartment), and extensive high quality community facilities including meeting rooms, BBQ/dining areas, swimming pool/spa/sauna, table tennis/tennis/soccer/basketball courts, and landscaped gardens.

There are 40 4-bedroom and 24 6-bedroom apartments, each with their own ensuite with shower, toilet and hand basin. The apartments feature covered balconies off the living area and some of the bedrooms. Two of the bedrooms in the 6-bedroom apartments are loft style, some with their own kitchenettes. The internal area of the 4-bedroom apartments is about 110sqms and the 6-bedroom apartments is about 136sqms (excluding loft storage, balconies and car spaces). There is also a 3-bedroom manager's apartment and a 1-bedroom caretaker's apartment. Each apartment has a full kitchen, dining and living area and a cupboard laundry. All apartments are fully furnished and have ducted air-conditioning.

The total internal area of the apartments is approximately 8,500sqms (excluding balconies and car spaces).

Typical Apartment Layout 4 Bedrooms on Single Level (40 units) + Additional 2 Loft Bedrooms (24 units)



Aspen's Plan

The property is currently operated as Uniresort, a student accommodation facility with the majority of its customer base attending Griffith University and nearby language schools. Accordingly, COVID-related travel restrictions have reduced demand and net income over the past 12 months.

We intend to broaden the student customer base to include other young, like-minded customers who value the co-living experience and relatively cheaper rents that currently average about \$200 per week per room including furniture, electricity, water, internet and a fortnightly clean of common areas. We expect the majority of our tenants will be on standard residential leases or rooming accommodation agreements with a minimum term of 6 months, however there is the opportunity to offer short stay options given the apartments are fully furnished.

We expect the net income yield to recover to over 5% within the next 18 months as occupancy stabilises and from reducing operating costs.

The land is zoned High Density Residential up to 8 stories, and about 24,000sqm of gross floor area can be developed which is over twice the current density. There is also the potential to strata title some or all of the apartments in the future, helped by their fairly standard residential layout and existing separate electricity and hot water meters. In our opinion these attributes will help drive relatively high capital growth over time.



Pricing

The purchase price is \$18.50 million (excluding transaction costs), equating to about \$280,000 per apartment, \$60,000 per bedroom and \$2,166 per sqm of internal area (excluding balconies and car spaces). The median sales price of a 3-bedroom apartment in Upper Mount Gravatt is \$418,000 (realestate.com.au).

The current statutory land valuation is \$9.70 million, implying a residual purchase price for the improvements of \$8.80 million or \$1,030psm of internal area (excluding balconies and car spaces). In our opinion the replacement cost of the property is above \$30 million including land.

The acquisition will initially be funded with debt. As foreshadowed at our recent half year financial results, we have started to recycle equity within our portfolio by entering into conditional contracts for the sale of two houses in Perth. The average price achieved was \$425,000 equating to a net profit margin above total cost of approximately \$90,000 per house.

We expect the acquisition to be accretive to both NAV and EPS over the medium term.

Announcement authorised by the Board of Aspen Group Limited.

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